MULTIPLE CHOICE QUESTIONS

CHAPTERS 1 – 5

CHAPTER 1

1. Which of the following jobs check accounting in ledgers and financial statements?

(A) Financial

(B) Audit

(C) Management

(D) Budget Analysis

2. The process of accounting is needed to

I. take a holiday

II. assist in decision making

III. invest in start up of a business

IV. track money spent

(A) I, II and III

(B) I, II and IV

(C)I, III and IV

(D)II, III and IV

3. Which of the following describes the practical framework of bookkeeping?

(A) Classifying, recording and summarizing

(B) Reporting, analyzing and interpreting

(C)Classifying, analyzing and interpreting

(D)Recording, summarizing and reporting

www.freepdfpost.blogspot.com

4. Which of the following principles assumes that a business will continue for a long time?

(A) Historical cost

(B) Periodicity

(C)Objectivity

(D)Going concern

5. Which of the following users assesses the attractiveness of investing in a business?

(A) Tax authorities

(B) Financial analysts

(C) Bank

(D) Employees

6. Accountants use Generally Accepted Accounting Principles (GAAP) to make the financial information communicated

I. relevant

II. reliable

III. comparable

IV profitable

(A) I, II and III

(B) I, II and IV

(C)I, III and IV

(d)II, III and IV

www.freepdfpost.blogspot.com

7. One of the detailed rules used to record business transaction is

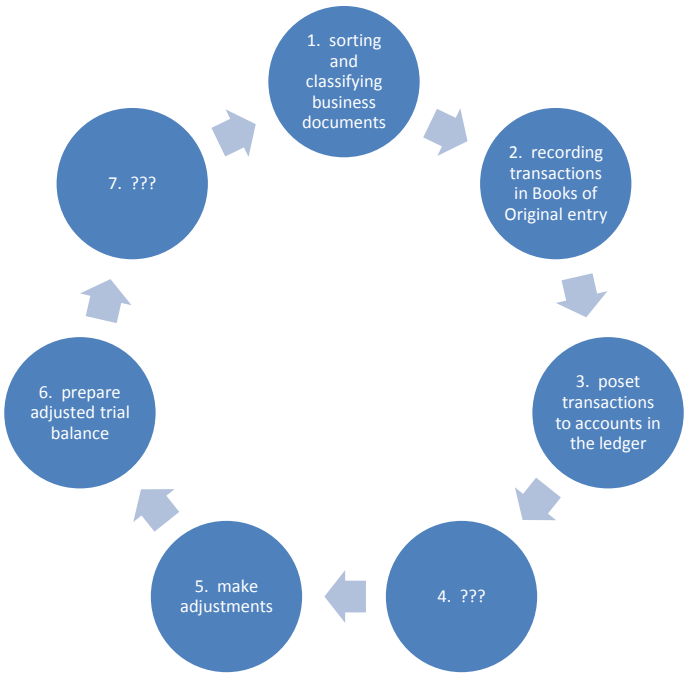
(A) Objectivity

(B) Accruals

(C) Double entry book keeping

(D)Going Concern

8. The diagram below refers to item 8.



Numbers 4 and 8 in the diagram represents

(A) prepare a cheque and extract a Trial balance

(B) extract a trial balance and prepare final reports

(C) prepare final reports and prepare a cheque

(D) extract a trial balance and prepare a voucher

www.freepdfpost.blogspot.com

9. Which of the following highlights the correct order of the stages in the accounting cycle?

(A) Journalizing, final accounts, posting to the ledger and trial balance

(B) Journalizing, posting to the ledger, trial balance and final accounts

(C)Posting to the ledger, trial balance, final accounts and journalizing

(D)Posting to the ledger, journalizing, final accounts and trial balance

ANSWERS

1. B

2. D

3. A

4. D

5. B

6. A

7. C

8. B

9. B

www.freepdfpost.blogspot.com

CHAPTER 2

1. Dividends are paid by

    I. Sole trading businesses

    II. Partnership companies

    III. Limited Liability companies

    IV. Co-operatives

(A) I and II

(B)I and III

(C)II and III

(D)III and IV

2. Which of the following companies has to pay corporation tax?

(A) Co-operative society

(B)Limited liability Company

(C)Partnership Company

(D) Sole trading company

3. Which of the following companies has unlimited liability?

(A) Sole trading company

(B)Co-operative society

(C)Limited liability Company

(D)Partnership Company

www.freepdfpost.blogspot.com

4. The Trading and Profit and Loss account is also called

(A)Balance Sheet

(B)Cash Flow Statement

(C)Income Statement

(D)Trial Balance

ANSWERS

1. D

2. B

3. A

4. C

www.freepdfpost.blogspot.com

CHAPTER 3

1. The elements of the accounting equation are

    I. Assets

    II. Liabilities

    III. Trial Balance

    IV. Capital

(A) I, II and III

(B)I, II and IV

(C) I, III and IV

(D)II, III and IV

2. Which of the following are assets?

    I. Cash and cash at bank

    II. Land and fixtures

    III. Loans and creditors

    IV. Mortgage loans and debtors

(A) I and II

(B)I and III

(C)I and IV

(D) II and III

www.freepdfpost.blogspot.com

The following balances refer to Item 3

T. Singh's Assets and Liabilities	
Machinery	20 000
Cash in hand	2 000
Land and buildings	200 000
Bank loan	50 000
Creditors	5 000
Debtors	10 000

(3) What is T. Singh's capital?

(A) $55 000

(B) $177 000

(C)$232 000

(D)$287 000

The following balances refer to Items 4 and 5

P. Stevens

Balance Sheet

As at December 31, 2010

LIABILITIES		ASSETS	
Capital	100 000	Premises	100 000
Bank loan	95 000	Accounts receivable	10 000
Creditors	5 000	Cash	5 000
		Furniture	20 000
		Stock	10 000
		Bank	55 000

www.freepdfpost.blogspot.com

4. What is P. Steven's total current asset?

(A) $60 000

(B) $80 000

(C)$120 000

(D)$200 000

5. What is P. Steven's total liability?

(A) $5 000

(B) $95 000

(C)$100 000

(D)$200 000

6. Which of the following items are used to prepare a balance sheet?

I. The name of the firm

II. The name of the financial statement

III. The date it is being prepared

IV. The style use for the preparation of the statement

(A) I and II

(B) I and IV

(C)I, II and III

(D)I, III and IV

www.freepdfpost.blogspot.com

ANSWERS

1. B

2. A

3. B

4. B

5. C

6. C

www.freepdfpost.blogspot.com

CHAPTER 4

1. Arielle W. bought furniture on credit from Chanel. Which of the following journal entries will be made for this transaction in Arielle W. books?

(A) Dr. Furniture

Cr. Cash

(B) Dr. Purchases

Cr. Arielle W.

(C)Dr. Arielle W.

Cr. Purchases

(D)Dr. Furniture

Cr. Arielle W.

2. The following two T-accounts illustrate a transaction

Bank

	$800

Advertising expense

$800	

Which of the following statements describes the information given in accounts?

(A) Advertising paid amounted to $800

(B)Advertising shows a decrease of $800

(C)Bank shows an increase of $800

(D)Bank deposits amounted to $800

www.freepdfpost.blogspot.com

3. Which of the following concepts use the rules 'every transaction affects two or more ledger accounts?'

(A) Going concern

(B) Double entry book-keeping

(C)Money measurement

(D)Periodicity

4. The purchase of a motor car on credit from Toy Automotive Company for use in a firm should be recorded as

(A) Dr. Maintenance of vehicle expense

Cr. Toy Automotive Company

(B) Dr. Purchases

Cr. Toy Automotive Company

(C) Dr. Motor vehicle

Cr. Toy Automotive Company

(D) Dr. Motor vehicle

Cr. Cash

www.freepdfpost.blogspot.com

Item 5 refers to the following information

Cash

Capital	$40 000	Drawings	$10 000
Sales	15 000	Purchases	20 000
		Balance c/d	???

5. Which of the following figures represents the balance c/d for the above account?

(A) $10 000

(B) $25 000

(C)$30 000

(D)$55 000

ANSWERS

1. D

2. A

3. B

4. C

5. B

www.freepdfpost.blogspot.com

CHAPTER 5

1. An item is subject to a 20% trade discount. Its list price is $1 000. What is the sale price?

(A) $200

(B) $800

(C) $1 000

(D)$1 200

2. A debit note is a document made out when goods are

(A) returned

(B) overcharged

(C)sold

(D) undercharged

3. Which of the following books of original entry should be used to record credit sales?

(A) Sales journal

(B) Sales returns journal

(C)Purchases journal

(D)Purchases returns journal

4. Credit notes issued for goods returned to a supplier will be entered firstly in the

(A) General journal

(B) Returns inwards journal

(C)Returns outwards journal

(D)Petty cash journal

www.freepdfpost.blogspot.com

5. Dylan J paid Joel and Company $600 to settle an account of $720. What entries should be made in Joel's books?

(A) Dr Joel and Company $720

Cr Jules $ 720

(B) Dr Discount allowed $ 120

Dr Cash $ 600

Cr Joel and Company $ 720

(C) Dr Cash $ 600

Cr Joel and Company $600

(D) Dr Joel and Company $720

Cr Cash $600

Cr Discount received $120

6. A business operates its petty cash by using the imprest system. At the beginning of the month, the petty cashier was given $1 000 out of which she spent $800. How much will she be reimbursed?

(A) $200

(B) $800

(C)$1 000

(D)$1 800

7. Which of the following entries will be entered in the General journal?

(A) Sold goods on credit

(B) Goods purchased and paid by cash

(C)Investment made by the owner

(D) Purchase goods on credit

www.freepdfpost.blogspot.com

ANSWERS

1. B

2. D

3. A

4. C

5. B

6. B

7. C

www.freepdfpost.blogspot.com